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UNCLAS SECTION 01 OF 03 BRASILIA 003031

SIPDIS

SENSITIVE

E.O. 12958: N/A

TAGS: [PGOV](#) [PREL](#) [BR](#)

SUBJECT: TWO PARTIES BOLT FROM LULA'S COALITION

REF: A. BRASILIA 2802

[B](#). BRASILIA 2763

[1](#)1. (SBU) SUMMARY. In the past few days, two political parties --the large PMDB and medium-sized PPS-- have decided to depart the governing coalition of President Lula da Silva.

In both cases, the decisions were taken at hotly-disputed party meetings, and in both cases it appears that the parties may fracture over the decision. These decisions are rooted in internal party catfights and the need to create daylight between the parties and Lula's PT party in order to run against the PT in the 2006 elections. The effect on the administration's legislative agenda is difficult to gauge because pro-Lula members of both the PMDB and PPS are likely to change parties in the coming days in order to remain in the coalition or to continue to vote for administration bills in some cases. The most likely outcome is that Lula will lose a few supporters in both houses of Congress but will continue to be able to put together narrow majorities on key issues with a combination of arm-twisting and pork barrel. The PMDB and PPS together hold three cabinet seats and have insisted that their cabinet representatives step down or be suspended from their party activities --but Lula is likely to wait for the dust to settle before he shakes up his cabinet. END SUMMARY.

PMDB FINALLY MAKES A MOVE

[1](#)2. (SBU) The Party of the Brazilian Democratic Movement (PMDB), a large and fractious member of President Lula's governing coalition, decided at a party convention on December 12 to pull out of the coalition (ref A). The decision followed weeks of intense lobbying inside and outside the party, including lawsuits to try to prevent the convention and attempts by both sides to stack the vote. At bottom, the decision reflected the wish by "oppositionist" leaders --mostly in the large southern states (notably Rio, Sao Paulo, and Parana)-- to create more daylight between their party and President Lula's PT-led coalition. This will allow them to run a PMDB presidential candidate against Lula in the 2006 elections and also to position their gubernatorial and congressional candidates against PT opponents. The "oppositionists" are led by party president Michel Temer, a Federal Deputy from Sao Paulo. Former-Rio Governor Anthony Garotinho hopes to be the party's presidential nominee in 2006.

[1](#)3. (SBU) The party's pro-Lula "government" faction includes those delegations from states where the PMDB and PT work well together, plus most of the PMDB's sitting Senators and Federal Deputies (who benefit from being in the coalition by getting federal pork spending for their constituents). The PMDB's two cabinet ministers (at the Ministries of Communications and Social Security) as well as powerful Senate President Jose Sarney are all "governmentists".

[1](#)4. (SBU) At the December 12 convention, the "oppositionists" won the vote to pull out of the coalition and passed a separate motion insisting that the party's political nominees (including notably the two cabinet ministers) step down from their posts or be suspended from party activities. However, the convention split hairs by deciding to become "independent" of the administration without actually moving into the opposition. This means that the party will continue to support Lula on the floor of Congress when "it is in the party's interest". In fact, this may mean only a small change from the past, when Lula could rarely count on more than two-thirds of the party's votes on any given issue. Further, while the PMDB is a uniquely malleable institution in Brazilian politics, able to shelter both pro- and anti-government factions, some in the party will want to remain formally in the coalition and so will jump to other parties in the coming months.

[1](#)5. (SBU) Thus the math of the Congressional majority will be an evolving dynamic. On paper, the governing coalition previously held 381 of the 513 Chamber seats (74%), of which 78 were PMDB. If half of the PMDB Deputies continue to vote with the administration, Lula can continue to cobble together narrow majorities, depending on the issue. In the Senate, the picture looks more difficult. The coalition held 47 of 81 Senate seats (58%), of which 23 were PMDB. But PMDB Senators tend to be more "governmentist" and supportive of the

administration. Again, depending on the issue, Lula should be able to find narrow majorities. It must be borne in mind that the other coalition parties (including the PT) are also fractious and do not fully support the administration on every vote, which further erodes Lula's majority. Also, some of the administration's legislative priorities require constitutional amendments, meaning 60% votes in both houses, and these bills will be in more danger than ordinary laws.

PPS PARTY ALSO BOLTS

16. (SBU) The Popular Socialist Party (PPS) is the vestige of the old Communist Party and is still run with an iron hand by Roberto Freire, a bellicose Federal Deputy from Pernambuco who clings to radical leftist positions developed over thirty years ago. In 2002, the party attracted Ciro Gomes to its banner. Gomes, from Ceara, has a national profile and was looking for a party to launch what turned out to be a failed presidential bid. In the wake of the elections, the PPS joined the governing coalition and Gomes accepted Lula's offer to become Minister of National Integration, where he has been a pleasant surprise as one of the administration's steadiest cabinet ministers. Meanwhile, Freire chafed at having been eclipsed by Gomes within his own party and the coalition. For over a year, he has instigated a series of bitter fights with Gomes and has repeatedly threatened to take the PPS out of the coalition. On December 11, Freire forced a vote of the PPS governing board and finally made good on that threat. Afterward he delivered a blunt message to Ciro Gomes, "Either leave the cabinet or leave the party".

17. (SBU) Gomes may do both. He has put his cabinet seat "at Lula's disposal", which is somewhat less assertive than actually resigning. It seems likely that he will leave the PPS and move either to the coalition's centrist PTB or to Lula's PT. Gomes's current close association with the administration means he is unlikely to run another presidential campaign against Lula in 2006. If Gomes departs the PPS, he will take his faction with him --variously estimated at both of the PPS's Senators and one-third of its 20 Federal Deputies. Freire will remain in charge of the rump PPS and is feverishly looking for an alliance with the leftist PDT (or even the newly independent PMDB) and may be successful in luring PT Senator Cristovam Buarque to the party to run as its 2006 presidential candidate.

LULA'S CABINET SHUFFLE HANGING FIRE

18. (SBU) The impact on Lula's cabinet remains to be seen. In the wake of the October municipal elections and last month's resignation by DefMin Jose Viegas and his replacement by Vice President Alencar (ref B), it was assumed that Lula would make a few cabinet changes in January or February. Lula was reportedly willing to offer the PMDB a third cabinet post and may be looking to reward outgoing Chamber Speaker Joao Paulo Cunha with a promotion. The splits in the PMDB and PPS have moved the cabinet shuffle to the back burner for the time being. For example, Lula may want the two PMDB cabinet slots back so he can offer them to other allies, or he may leave those ministers in place as a way to continue to appeal to the PMDB's "governist" wing --which would also be a way to exacerbate the PMDB's internal rifts. Similarly, Lula may leave Ciro Gomes in place because of his competence, in spite of his divorce from the PPS. Thus the cabinet shuffle will wait until the administration can assess how best to salvage maximum political advantage from this week's events.

COMMENT

19. (SBU) It is too early to assess the damage to Lula's administration from the actions of the PMDB and PPS. It is unlikely to be crippling, but will range from minimal to significant. While the PMDB and PPS formally withdrew from the governing coalition, we cannot simply subtract their combined 98 Deputies and 25 Senators from Lula's column, because many of these congresspersons never reliably voted for Lula in the past, while many who did vote for Lula before will continue to do so in the future. Thus, it is more accurate to say that the majority wings of these two parties formalized their opposition to the administration, leaving the minority wings to search for their own futures. The story will continue to unfold through the holidays and into February, when Congress returns to session and elects new leadership in both houses and in all its committees.

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